

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6995

BILL NUMBER: HB 1237

NOTE PREPARED: Mar 12, 2012

BILL AMENDED: Mar 9, 2012

SUBJECT: Home Improvement Contracts.

FIRST AUTHOR: Rep. Morris

FIRST SPONSOR: Sen. Eckerty

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

- (1) Amends the statute governing home improvement contracts to specify that "home improvement" includes an "exterior home improvement".
- (2) Defines "insured consumer" and "exterior home improvement" for purposes of the statute.
- (3) Provides that, with respect to a home improvement that is to be paid, in whole or in part, from the proceeds of certain insurance policies, a home improvement supplier must:
 - (a) if the home improvement contract includes an exterior home improvement, furnish information to the insured consumer concerning cancellation of the contract by the insured consumer if the insured consumer receives written notification from the insured consumer's insurance company that all or part of the claim or contract is not a covered loss; and
 - (b) have a presence in Indiana or a previous business relationship with the consumer.
- (4) Prohibits certain activities by a home improvement supplier intended to induce a person to enter into a home improvement contract or otherwise purchase goods or services from the home improvement supplier.
- (5) Provides for the cancellation of a home improvement contract by an insured consumer and the resolution of certain financial obligations.
- (6) Prohibits a home improvement supplier from acting as a public adjuster.

Effective Date: July 1, 2012.

Explanation of State Expenditures: A violation for any of the requirements contained in the bill would be considered a deceptive act which is actionable by either the Attorney General or the consumer. To the extent

the Attorney General seeks action against companies found in violation of the bill's requirements, the workload of the Attorney General will increase. Actual increases in workload are indeterminable.

Explanation of State Revenues: By increasing the number of deceptive acts, this bill may increase revenue to the General Fund from civil penalties. Under current law, the violation for a deceptive act is punishable with a civil penalty of \$500 per violation (IC 24-5-0.5-8). Knowingly committing a deceptive act is punishable with a civil penalty of \$5,000 per violation [IC 24-5-0.5-4 *version b (g)*]. Actual increases in revenue are indeterminable.

Court Fee Revenue: Under current law, if a consumer brings civil against a company that commits a deceptive act, civil court fees can be awarded to the plaintiff. To the extent a consumer brings action against a company that commits a deceptive act, state revenue from civil court fees will increase.

If additional civil actions occur and court fees are collected, revenue to the state General Fund may increase. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$5), judicial salaries fee (\$19), public defense administration fee (\$5), court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Court Fee Revenue:* If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 civil costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

State Agencies Affected: Attorney General.

Local Agencies Affected: Trial courts, city and town courts.

Information Sources:

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